

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

Philip Angelides, Chairman
CA State Treasurer

Bond Financing Program Application

TAX-EXEMPT FINANCING FOR
PRIVATE COLLEGES AND UNIVERSITIES

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CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

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CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY

The Authority

The California Educational Facilities Authority Act, creating the California Educational Facilities Authority (CEFA), was enacted in 1973. The Authority was created for the purpose of issuing revenue bonds to assist private non-profit institutions of higher learning in the expansion and construction of educational facilities. Because it is authorized to issue tax-exempt bonds, the Authority may provide more favorable financing to such private institutions than might otherwise be obtainable. Facilities used for sectarian instruction or for religious worship are not eligible for financing under CEFA.

The law specifically provides that bonds issued under this Act shall not be a debt, liability, or claim on the faith and credit or the taxing power of the State of California, or any of its political subdivisions. The full faith and credit of the participating institution, however, is normally pledged to the payment of the bonds. Effective January 1, 1999, AB29 (Pringle), Chapter 751, statutes of 1998 removed completely the limitation on bonds outstanding.

Eligibility for CEFA Financing

All applicants must meet the participation and project requirements as set forth in the California Education Code, Section 94100 et. seq. (see “Definitions” section at Exhibit A), and as described in the regulations affecting the Authority as set forth in the California Administrative Code, Title 4, Chapter 12, Section 9001 et. seq. These requirements include, but are not limited to, the following:

- Applicant must be a private, non-profit college situated in the state of California.
- Applicant must be non-sectarian, and cannot restrict entry on racial or religious grounds. If the applicant requires its students to take courses in religion or theology, the application must be accompanied by a factual showing that such required courses:
 - a. are taught according to the academic requirements of the subject matter;
 - b. cover a range of human religious experiences;
 - c. are not limited to courses about a particular faith; and
 - d. are not taught in a manner or for the purpose of indoctrinating or proselytizing students.
- Applicant has been functional a minimum of three years prior to submitting an application for financing, and can provide three years of audited financial statements.
- Applicant must demonstrate the ability to manage the proposed debt and must show revenue or collateral sufficient to cover debt service on the bond offering.
- All projects and related costs to be financed must meet the definition of “Project” and “Cost” at Section 94110 of the California Education Code (see “Definitions” section at “Exhibit A”).

In addition, please see CEFA’s Bond Issuance Guidelines as attached in Exhibit C.

Submitting the Application

In order to consider requests for financing, the Authority requires certain information related to the financial and operational condition of applicants. This application is designed to obtain this information. Please provide all of the requested responses and documentation to prevent unnecessary delays in processing your financing requests. Authority staff will be pleased to assist you with any questions you may have about the application or review process.

To have your application considered for financing for a particular month, **by the first business day** of the month of the scheduled meeting*, submit:

- **two** copies of the application to:
California Educational Facilities Authority (CEFA),
915 Capitol Mall, Room 590
Sacramento, CA 95814, and
- **one** copy of the application to:
PricewaterhouseCoopers LLP
555 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attn: Robert Kittredge

* *Please contact the Authority for a current schedule of meeting dates, or visit our website at www.treasurer.ca.gov/cefa/cefa.htm.*

All Applicants must forward a \$1,000 non-refundable application fee to the Authority with the application.

Preparing the Application

1. Please use a tab system and present the material in the sequence indicated utilizing this application's tab system as the index;
 2. Please use three ring binders, not acco type binders; and
- Complete all application items. If an item does not apply, type "not applicable" and state why.

Program Fees

CEFA charges an Initial Fee for each completed bond issue of .15% of the issue amount, up to a maximum of \$75,000, due and payable at closing.

CEFA also charges an Administrative Fee of \$500 annually for the first five years that the bonds are outstanding, and \$250 annually thereafter. Current invoices billed cover bonds outstanding during the prior fiscal year ended.

For unsuccessful financings, there may be a charge for estimated costs, as determined by the Executive Director and reported to the Authority, subject to appeal by the applicant.

Other costs of issuance for bond issues, including fees of Bond Counsel, Underwriters, Financial Advisors, Trustees etc., are charges against the applicant payable at closing and are separate from Authority fees. Please contact the Authority for more information regarding use of these professional firms in bond transactions and financing limitations on fees.

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY (CEFA)

APPLICATION FOR FINANCING

Please use a tab system to provide the following information about the Applicant.

TAB 1 *Contact Information:*

- A. Legal name of the institution.
- B. Complete address, including county.
- C. Principal contact and title, telephone number and telecopy number.
- D. Location of campuses for which financing is sought, if different from above.

TAB 2 *Accreditation:*

- A. Give the dates of original and latest accreditation by the Western Association of Schools and Colleges ("WASC").
- B. Give the dates of original and latest accreditation by the Committee of Bar Examiners of the State Bar ("State Bar Examiners"), if the institution offers legal education.
- C. Give the date or dates of all visits to the institution during the past 10 years by a reviewing team from WASC or the State Bar Examiners. Attach a copy of each action letter sent to the institution by the accrediting body after its consideration of the visiting teams' report.
- D. Attach copies of all other correspondence received by the institution during the past 10 years from the accrediting body with respect to the accredited status of the institution.
- E. Describe any other accreditations and affiliations of the University.

TAB 3 *Background:*

Include with the submission of your application, the latest catalog, map, and general information bulletin describing the institution.

- A. Provide a copy of "Appendix A" prepared for the proposed bond issue's official statement, if available.
- B. If appendix A is not available, briefly discuss the background of the college or university, highlighting any important distinctions.
- C. Is the applying institution affiliated in any respect with a religious denomination? Applicant must make certain certifications as to this issue. See (Tab 13) section. Yes No

TAB 4 Utilization Statistics:

A. If Appendix A of the Official Statement (with complete college statistical information) was provided in Tab 3A, then complete section 'B' of Tab 4. However, if this information was not provided, please complete the following statistical information tables, modifying the requested information as necessary to conform with the way your college reports this data, or to conform with your college's operations (i.e., you may need to show statistics for an evening program or some other program that is integral to your college's operations).

APPLICATION POOL

Freshman*

Fall Semester	Number of Apps.	Offered Admission	New Enrollments
199X			
199X			
199X			
199X			
199X			

Transfer*

Number of Apps.	Offered Admission	New Enrollments

*Headcount, not full-time equivalent

Freshman and Transfer (Combined)*

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
199X			%	
199X			%	
199X			%	
199X			%	
199X			%	

*Headcount, not full-time equivalent

Graduate Programs

Fall Semester	Number of Apps.	Offered Admission	Selectivity Ratio	New Enrollments
199X			%	
199X			%	
199X			%	
199X			%	
199X			%	

*Headcount, not full-time equivalent

ENROLLMENTS AND DEGREES
(Full-Time Equivalent)

Enrollments				Degrees Awarded		
Academic Year	Undergrad. FTE	Graduate FTE	Total FTE	Bachelor	Graduate	Total
199X-9X						
199X-9X						
199X-9X						
199X-9X						
199X-9X						
199X-9X						

UNDERGRADUATE TUITION, FEES, ROOM AND BOARD

Academic Year	Undergraduate Tuition and Fees	Room and Board	Undergraduate Total
199X-9X			
199X-9X			
199X-9X			
199X-9X			
199X-9X			

FACULTY SUMMARY
(Full-Time Equivalent)

Academic Year	Tenured Full Time	Other Full Time	Part Time FTE	Total FTE
199X-9X				
199X-9X				
199X-9X				
199X-9X				
199X-9X				

- B. Briefly discuss any substantive year-to-year changes shown in the statistical information provided with this application.

TAB 5 Project Information:

Please provide a comprehensive accounting of the project, including all sources of funds (bond funds, college equity, donations, etc.) and all uses of these funds.

- A. Estimated Source of Funds: Provide a breakdown of the following applicable sources of funds. Discuss whether equity or other funds will be targeted for any particular use.

Bond Funds	\$
College Funds
Describe donor or other funds* (itemize)
.....
Total Sources	\$

**Federal tax law does not allow a university or college to finance a building or project with bond proceeds which replace specific donations earmarked for that building or project. Bond proceeds may, however, be used with earmarked donations as a complementary source of funds necessary to complete a project. Confer with you bond counsel for further information on this matter.*

- B. Estimated Uses of Funds:

Real Estate (Land) purchase \$

Describe the property (location, size, and features) and its intended use. Provide a copy of the purchase agreement and a current appraisal.

Construction or renovation \$

Provide schedule for construction phases and projected completion date.

	Yes	No
1. Have all required permits and approvals been obtained?	___	___
If no, status? (use separate page for explanation of status)		
2. Has a construction contract been executed?	___	___
If no, status? (use separate page for explanation of status)		
If yes, what is the guaranteed maximum price?	\$	

Equipment purchase \$

Provide a general description of the items and use.

Reimbursement \$

Provide a general description of the items to be reimbursed. (Federal tax law imposes certain requirements for reimbursement. Check with your bond counsel before expending any funds to be reimbursed).

Refunding..... \$ _____

Type of refunding (advance, current or cross-over) and detail of anticipated costs, including any expected escrow costs.

Cost savings analysis. Show:

- debt service savings by year;
- present value (PV) of total savings;
- the ratio of PV savings to the par amount of the refunded debt; and
- if no cost savings, state the reason for the refinancing.

For debt to be refunded provide:

- Name of the issuer;
- Name, year and series of the bonds;
- Amount of bond issue/loan;
- Amount currently outstanding;
- Interest rate (index if variable rate);
- Maturity date;
- Brief description of the purpose of the original debt; and
- State whether original project is complete.

Estimated other uses (total): \$ _____

Debt service reserve	\$ _____
Other reserves (describe)	\$ _____
Capitalized interest	\$ _____
Working Capital	\$ _____
Insurance/Bank fee	\$ _____
Counsel fees	\$ _____
Financial advisor	\$ _____
Underwriter Discount	\$ _____
Other (List)	\$ _____

Total uses of funds (must equal "Total sources of funds") \$ _____

C. Additional Project Information:

Provide the following information about the project:

1. List the city, county, and precise street address of all facilities receiving financing.
2. For renovation or construction projects, list the name of the construction company or developer (if one is already chosen) completing the work.
3. List the name of any other lender or credit enhancer.
4. For property acquisition, list the name of the seller of the property.
5. For refinancing projects, list the name of the financial institution(s) holding the loans to be refinanced.

TAB 6 *Bond Issue Structure:*

Describe the proposed structure of the bond issue as follows:

- Interest rate: fixed, variable or derivative (index if variable).
- Term: initial and final maturity.
- Estimated costs of issuance.
- Estimated underwriter's spread, including an estimated breakdown of expenses.
- Type of credit enhancement, if applicable
- Type of offering: public, private placement or limited public offering.
- Rating agency(s) for financing.
- Identify the most recent credit rating of the Applicant and the Guarantor, if applicable, and the name(s) of the rating agency(s).
- Expected credit rating for this financing.

TAB 7 *Financing Team* and Calendar:*

Financing team (include names, title, phone and fax of member):

- Senior managing underwriter;
- Suggested co-managing underwriter(s);
- Remarketing Agent (if applicable);
- Bond counsel;
- Underwriter's counsel;
- Disclosure counsel;
- Arbitrage rebate calculation firm;
- Trustee (if identified); and
- Any other parties to the financing.

Provide the proposed calendar for the financing, including the anticipated date(s) for the following (explain if more than one date is listed for any item):

- Authority resolution approval date.
- Sale date.
- Closing date.

**Financing team participants are subject to approval by the Authority and the State Treasurer's Office (STO); additional participants may also be added by the Authority and the STO.*

TAB 8 *Financial Information:*

- A. Provide copies of the Applicant's consolidated audited financial statements for the three most recent fiscal years and the most recent consolidated year-to-date interim financial statements.
- B. Briefly discuss any substantive year-to-year changes or trends in the Applicant's revenues and expenditures and assets and liabilities for the prior three years. Also, briefly discuss management's financial outlook for the institution over the next three years, including the effects of this proposed financing.

- C. Provide copies of Moody's, Standard and Poor's, and/or Fitch's rating analysis, if available. If analysis is not available at the time of application, please have copies sent to the Authority as soon as available.

TAB 9 *Feasibility Study:* Yes No
Has a feasibility study been developed for this financing, either internally _____ _____
or by an outside consultant? If yes, provide a copy.

TAB 10 *Corporate Information:*
Please attach copies of the Articles of Incorporation and bylaws and any amendments to these documents.

TAB 11 *Legal Disclosure:*
Other than the information included in Exhibit B, as attached, applicant has no information to disclose with regard to the following questions:

For purposes of the following questions, the term "applicant" shall include, in addition to the entity itself, officers, directors, principals and senior executives.

1. Has the applicant filed for bankruptcy, defaulted on a loan or been foreclosed against in the past 10 years? If so, please explain.
2. Is the applicant currently a party to any civil litigation which may materially affect the financial condition of the applicant's business? If so, please explain.
3. Have there been any administrative or civil settlements or judgements against the applicant within the prior ten years which materially affected the financial condition of the applicant's business? If so, please explain and state the amount.
4. Is the applicant currently subject to any civil proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority? In the last 10 years, has the applicant been subject to any civil proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority that resulted in a settlement, conviction, decision or judgement? If so, please explain.
5. Is the applicant currently a party to any criminal litigation which may materially affect the financial condition of the applicant's business? If so, please explain.
6. Is the applicant currently subject to any criminal proceeding or investigation by a licensing or accreditation agency or state or federal taxing authority? In the last 10 years, has the applicant been subject to any criminal proceeding or investigation by a licensing or accreditation agency or by a state or federal taxing authority that resulted in a settlement, conviction, decision, or judgement? If yes to either question, please explain.

7. Have there been any criminal settlements, convictions, or judgements against the applicant within the prior ten years which materially affected the financial condition of the applicant's business? If so, please explain and state the amount.
8. Within the last ten years, has the applicant been convicted of any felony? If so, please explain. Within the last ten years, has the applicant been convicted of any misdemeanor related to providing higher education services or any financial or fraud related crime? If so, please explain.

TAB 12 *Outstanding Authority Debt:*

Please list all outstanding bond issues through this Authority. Please provide the rating for each issue; whether it is fixed or variable rate and the current interest rate; the amount issued; the amount outstanding; and the final maturity date. Also note any amounts of outstanding bonds to be refunded with this issue.

TAB 13 *Religious Certification(s):*

Please transfer the following certification language, as appropriate, onto college letterhead and have the appropriate college official sign and date the certification(s).

A. All applicants*:

I, (name of signatory), as (name of position), an authorized officer of (name of college), certify that (name of college) is non-sectarian and does not restrict entry on racial or religious grounds. I further certify that students [are] are not required to take courses in religion or theology. [,] **[and that these courses, as the attached material illustrates, are structured in a way that meets the statutory financing requirements of the California Educational Facilities Authority.]**

** If the applicant requires its students to take courses in religion or theology, the application in this section must include a factual showing that such required courses:*

- a. are taught according to the academic requirements of the subject matter;*
 - b. cover a range of human religious experiences;*
 - c. are not limited to courses about a particular faith; and*
 - d. are not taught in a manner or for the purpose of indoctrinating or proselytizing students.*
-

B. Applicants affiliated with a religious denomination:

The Authority has directed that any applicant affiliated with a religious denomination answer the following additional questions with regard to compliance with the requirements of the CEFA Act. These are "baseline" questions, and additional questions or information may be included in order to support the conclusion that the applicant in question is not in violation of the

CEFA Act and Federal law. The information provided will be reviewed by bond counsel and staff counsel as part of the application process and included in the form of a certificate in the closing documents.

- 1) Does academic freedom prevail;
- 2) Are restrictions placed on admission to student body or staff;
- 3) Are religion courses offered; and if so, are they taught from an academic, pluralistic approach and are they part of a more broadly based (liberal arts) curriculum;
- 4) Can a student successfully matriculate without taking any courses in religion and, if not, how many courses are required to graduate;
- 5) Are any theological degrees offered;
- 6) Are religious services held on campus or prayers in the classroom;
- 7) Are efforts made to indoctrinate or inculcate;
- 8) Do clerics teach the courses;
- 9) Do religious symbols abound;
- 10) Can the religious aspects of the university be separated clearly and discretely from its nonreligious aspects;
- 11) What is the specific nature of the projects to be funded; and
- 12) Do the Articles or Bylaws require the Board or management of the university to be members of the operative religion or clerics, and if so, to what extent.

TAB 14 *Competing Institutions:*

Briefly describe your market position relative to competing institutions. Please note any specific programs provided principally or exclusively by your institution as opposed to competitors. Note any other distinguishing features of your institution.

TAB 15 *Application Certification:*

Please transfer the following certification language onto college letterhead and have the appropriate college official sign and date the certification.

I, (name of signatory), as (name of position), an authorized officer of (name of college), certify that, to the best of my knowledge, the information contained in this application is true and accurate.

By (Print Name)

Signature

Title

Date

EXHIBIT A

DEFINITIONS

“Cost” as applied to a project or portion thereof financed under the provisions of this chapter, embraces all or any part of the cost of construction and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a project, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved, the cost of all machinery and equipment, financing charges, interest prior to, during and for a period after completion of such construction as determined by the authority, provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations and improvements, the cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates, administrative expenses and other expenses necessary or incident to determining the feasibility of constructing any project of incident to the construction or acquisition or financing thereof;

“Dormitory” means a housing unit with necessary and usual attendant and related facilities and equipment;

“Educational facility” means a structure suitable for use as a dormitory, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, health care facility (including for an institution of higher education which maintains and operates a school of medicine, structures or facilities providing or designed to provide services as a hospital or clinic, whether such hospital or clinic is operated directly by the institution of higher education or by a separate nonprofit corporation, the member or members of which consist of the educational institution or the members of its governing body), and parking, maintenance, storage or utility facility and other structures or facilities related thereto or required or useful for the instruction or students or the conducting of research or the operation of an institution for higher education, and the necessary and usual attendant and related facilities and equipment, but shall not include any facility used or to be used for sectarian instruction or as a place for religious worship or any facility used or to be used primarily in connection with any part of the program of a school or department of divinity;

“Participating college” means a private college which neither restricts entry on racial or religious grounds nor requires all students gaining admission to receive instruction in the tenets of a particular faith, and which, pursuant to the provisions of this chapter, participates with the authority in undertaking the financing and construction or acquisition of a project;

“Private college” means an institution for higher education other than a public college, situated within the state and which, by virtue of law or charter, is a nonprofit educational institution empowered to provide a program of education beyond the high school level;

“Project” means a dormitory or an educational facility or any combination thereof.

EXHIBIT B

LEGAL DISCLOSURE INFORMATION

EXHIBIT C

CEFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

The following are the Authority's bond issuance guidelines. These guidelines describe what CEFA would expect to see given a transaction with a particular rating (or no rating). The Authority reserves the right to use its discretion as necessary. However, each financing must be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such exception is a necessary part of a cost-effective and prudent borrowing strategy; conversely, the Authority has the flexibility to add additional requirements as circumstances warrant. Pages 13 – 15 provide a written summary of these guidelines.

BOND RATING (1)	LOAN SECURITY PROVISIONS	BOND COVENANTS
I. A/A/A or higher rated debt (public offering)	<ul style="list-style-type: none"> General Obligation Pledge 	<u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants. Annual submission of Arbitrage Reports to Authority Annual Audited Financial Statements Interim internal financial information, if requested
II. BBB/BBB/Baa (public offering)	<ul style="list-style-type: none"> General Obligation Pledge Revenue Pledge Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond) Secured with real property or other assets with an appraised value of at least 100% of bond size (with appropriate release conditions), dependent on the overall asset base and financial strength of the applicant 	<u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants. Annual submission of Arbitrage Reports to Authority Annual Audited Financial Statements Interim internal financial information, if requested
III. Less than BBB/BBB/Baa rated debt or unrated debt	<ul style="list-style-type: none"> Must be privately placed (in both primary and secondary markets) with a "Qualified Institutional Buyer" as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 Minimum denomination of \$100,000 <hr/> <ul style="list-style-type: none"> General Obligation Pledge Revenue Pledge Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond) Secured with real property or other assets with an appraised value of at least 100% of bond size (with appropriate release conditions), dependent on the overall asset base and financial strength of the applicant 	<u>Other Covenants</u> <ul style="list-style-type: none"> Financial and other covenants as appropriate
IV. Unrated debt for Equipment Program (for equipment purchases generally \$5 million or less) Private placements for colleges with current debt ratings of BBB/BBB/Baa or higher.	<ul style="list-style-type: none"> Must be privately placed (in both primary and secondary markets) with a "Qualified Institutional Buyer" as defined by SEC Rule 144A, promulgated under the Securities Act of 1933 Minimum denomination of \$100,000 	<u>Reporting Covenants:</u> <ul style="list-style-type: none"> Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants. Annual submission of Arbitrage Reports to Authority Annual Audited Financial Statements Interim internal financial information, if requested

(1) Refers to broad rating categories used by Standard & Poor's/Fitch/Moody's, irrespective of rating modifiers (i.e. - 1/2/3 or +/-)

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CEFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

The Authority will generally expect to see the following security provisions and bond covenants given a transaction with a particular rating (or no rating), as specified below, and reserves the right to use its discretion as necessary. Each proposed financing will be reviewed individually and exceptions to these guidelines may be considered if the applicant demonstrates that such an exception is a necessary part of a cost-effective and prudent borrowing strategy; conversely, the Authority has the flexibility to add additional requirements as circumstances warrant.

The ratings shown are the respective categories of Standard & Poor's, Fitch and Moody's. The guidelines relate to the broad rating category and do not distinguish whether a rating includes a numerical (1, 2 or 3) or another ("+" or "-") modifier.

I. A/A/A or Higher Rated Debt (public offering)

- 1. Loan Security Provision:** General Obligation Pledge
- 2. Reporting Covenants:**
 - a. Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants
 - b. Annual submission of Arbitrage Reports to Authority
 - c. Annual Audited Financial Statements
 - d. Interim internal financial information, if requested (e.g. – budgets, comparison of actual financial results to budget, projections, etc.)

II. BBB/BBB/Baa (public offering)

- 1. Loan Security Provisions:**
 - a. General Obligation Pledge
 - b. Revenue Pledge (Lien perfected at closing, enforceable by Trustee, in the event of notice of default by Borrower)
 - c. Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond)
 - d. Secured with real property or other assets with an appraised value of at least 100% of bond size (with appropriate release provisions), dependent on the overall asset base and financial strength of the applicant
- 2. Reporting Covenants:**
 - a. Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants
 - b. Annual submission of Arbitrage Reports to Authority
 - c. Annual Audited Financial Statements
 - d. Interim internal financial information, if requested (e.g. – budgets, comparison of actual financial results to budget, projections, etc.)
- 3. Financial and other covenants** as appropriate, the specific terms of which would be at the discretion of the Authority and the credit enhancer, if credit enhancement is utilized.

**CEFA BOND ISSUANCE GUIDELINES
PER BOND RATING CATEGORY**

III. Less than BBB/BBB/Baa Rated Debt or Unrated Debt

1. Loan Security Provisions:

- a. Must be privately placed (in both primary and secondary markets) with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
- b. Minimum denomination of \$100,000
- c. General Obligation Pledge
- d. Revenue Pledge (Lien perfected at closing, enforceable by Trustee, in the event of notice of default by Borrower)
- e. Debt Service Reserve Account (must be funded at all times with internal cash, bond proceeds, letter of credit or surety bond)
- f. Secured with real property or other assets with an appraised value of at least 100% of bond size (with appropriate release provisions), dependent on the overall asset base and financial strength of the applicant

2. Reporting Covenants:

- a. Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants
- b. Annual submission of Arbitrage Reports to Authority (including periodic construction spending progress reports, if applicable)
- c. Annual Audited Financial Statements
- d. Interim internal financial information, if requested (e.g. – budgets, comparison of actual financial results to budget, projections, etc.)

3. Financial and other covenants as appropriate, the specific terms of which would be at the discretion of the Authority and Qualified Institutional Buyer of the bonds.

CEFA BOND ISSUANCE GUIDELINES PER BOND RATING CATEGORY

IV. Unrated debt for Equipment Program (for equipment purchases generally \$5 million or less) and Private Placements for colleges with current debt ratings of BBB/BBB/Baa or higher.

The guidelines in section “I” through “III” are based on the rating of the bonds to be issued. However, this is a special category where the guidelines relate to the type of transaction. The Authority will give special consideration to *small equipment private placements* and to *private colleges with current debt ratings of BBB/BBB/Baa or higher* that want to privately place their bond offerings. For these particular types of transactions, the loan security provisions and bond covenants are streamlined as outlined below.

1. Loan Security Provisions:

- a. Must be privately placed (in both primary and secondary markets) with a “Qualified Institutional Buyer” as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
- b. Minimum denomination of \$100,000

2. Reporting Covenants:

- a. Annual submission of Certificate of Compliance with CEFA Statute, Continuing Disclosure, financial and other covenants
- b. Annual submission of Arbitrage Reports to Authority
- c. Annual Audited Financial Statements
- d. Interim internal financial information, if requested (e.g. – budgets, comparison of actual financial results to budget, projections, etc.)